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ST. LANDRY WATERWORKS DISTRICT NO. 2
FINANCIAL REPORT
JUNE 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAR 24 1999

C O N T E N T S

	Schedule	Page
INDEPENDENT AUDITOR'S REPORT		1 and 3
FINANCIAL STATEMENTS		
Comparative balance sheets		4 and 5
Comparative statement of revenue, expenses, and changes in retained earnings		6
Comparative statement of cash flows		7
Notes to financial statements		8-14
SUPPLEMENTARY INFORMATION		
Schedule of monthly water rates	1	15
Schedule of compensation earned by board of commissioners	2	16
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	-	17 and 18
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	-	19 and 20
Schedule of findings and questioned costs	3	21 and 22
Schedule of expenditures of federal awards	4	23
Summary schedule of prior audit findings	5	24



BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.
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INDEPENDENT AUDITOR'S REPORT

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To the Board of Commissioners
St. Landry Waterworks District No. 2
Cankton, Louisiana

We have audited the accompanying general-purpose financial statements of St. Landry Waterworks District No. 2, a component unit of St. Landry Parish Police Jury, as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Lawrence A. Camer, CPA*
Eugene C. Gilder, CPA*
Donald W. Kelley, CPA*
Herbert Lemme II, CPA*
Frank A. Stagno, CPA*
Scott J. Broussard, CPA*
E. Charles Abshire, CPA*
Kenneth R. Dugas, CPA*
P. John Blanchet III, CPA*
Stephen L. Lambousy, CPA*
Craig C. Babineaux, CPA*
Peter C. Borrello, CPA*
Michael P. Crochet, CPA*
George J. Trappey III, CPA*
Daniel E. Gilder, CPA*
Gregory B. Milton, CPA*
S. Scott Sadeau, CPA*
Patrick D. McCarthy, CPA*

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Retired:
Sidney L. Broussard, CPA 1980
Leon K. Poche, CPA 1984
James B. Breaux, CPA 1987
Erna R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberly, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1997

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of St. Landry Waterworks District No. 2 as of June 30, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

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Society of Louisiana Certified
Public Accountants

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To the Board of Commissioners
St. Landry Waterworks District No. 2

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 1999, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying financial information listed as "Schedules" in the table of contents, including the schedule of expenditures of federal awards as required by OMB Circular A-133, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Broussard, Poche, Lewis & Breaux LLP

Crowley, Louisiana
February 22, 1999

ST. LANDRY WATERWORKS DISTRICT NO. 2
ENTERPRISE FUND

COMPARATIVE BALANCE SHEET
June 30, 1998 and 1997

ASSETS	<u>1998</u>	<u>1997</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 25,148	\$ 3,347
Accounts receivable, net of allowance for uncollectible accounts of \$250	12,660	276
Unbilled services receivable	-	1,355
Grant receivable	11,065	192,501
Accrued interest receivable	-	181
Other receivable	-	2,308
	<hr/>	<hr/>
Total current assets	<u>\$ 48,873</u>	<u>\$ 199,968</u>
RESTRICTED ASSETS		
Cash and cash equivalents:		
Reserve fund	\$ 13,606	\$ 51
Depreciation fund	8,463	51
Reserve note fund	8,029	102
Customers' deposits	550	100
Certificates of deposit:		
Reserve fund	-	8,463
Depreciation fund	-	7,514
Reserve note fund	-	9,267
	<hr/>	<hr/>
Total restricted assets	<u>\$ 30,648</u>	<u>\$ 25,548</u>
NONCURRENT ASSETS		
Bond issue costs	\$ 23,926	\$ 26,234
 PROPERTY, PLANT AND EQUIPMENT, at cost	 <u>2,099,559</u>	 <u>1,781,065</u>
Total assets	 <u>\$2,203,006</u>	 <u>\$2,032,815</u>

See Notes to Financial Statements.

LIABILITIES AND FUND EQUITY	<u>1998</u>	<u>1997</u>
CURRENT LIABILITIES (payable from current assets)		
Accounts payable	\$ 11,065	\$ 76,823
Retainage payable	-	115,790
Other payables	13,313	13,155
Due to other governmental agencies	<u>1,778</u>	<u>-</u>
Total current liabilities (payable from current assets)	<u>\$ 26,156</u>	<u>\$ 205,768</u>
CURRENT LIABILITIES (payable from restricted assets)		
Customer deposits	\$ 550	\$ 100
Accrued interest payable	<u>4,244</u>	<u>28,842</u>
Total current liabilities (payable from restricted assets)	<u>\$ 4,794</u>	<u>\$ 28,942</u>
LONG-TERM LIABILITIES		
Revenue bonds payable	<u>\$ 998,399</u>	<u>\$ 871,000</u>
Total liabilities	<u>\$1,029,349</u>	<u>\$1,105,710</u>
FUND EQUITY		
Contributed capital:		
Federal government	\$1,093,833	\$ 906,889
Local	<u>33,164</u>	<u>33,164</u>
Total contributed capital	\$1,126,997	\$ 940,053
Retained earnings (deficit):		
Unreserved	<u>46,660</u>	<u>(12,948)</u>
Total fund equity	<u>\$1,173,657</u>	<u>\$ 927,105</u>
Total liabilities and fund equity	<u>\$2,203,006</u>	<u>\$2,032,815</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2
ENTERPRISE FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Year Ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Operating revenues:		
Charges for services	\$ 144,664	\$ 11,034
Miscellaneous	-	310
Total operating revenue	<u>\$ 144,664</u>	<u>\$ 11,344</u>
Operating expenses:		
Equipment and supplies	\$ 6,565	\$ 796
Utilities	7,153	1,932
Contract labor	13,411	330
Board per diem	6,840	3,900
Insurance	4,180	1,277
Contract fees	41,838	4,005
Professional fees	1,500	-
Office supplies	68	158
Sales tax	3,206	-
Bad debt	-	250
Dues and subscriptions	-	150
Advertising	-	695
Miscellaneous	<u>1,176</u>	<u>400</u>
Total operating expenses	<u>\$ 85,937</u>	<u>\$ 13,893</u>
Operating income (loss)	\$ 58,727	\$ (2,549)
Nonoperating revenue:		
Interest income	<u>881</u>	<u>1,091</u>
Net income (loss)	\$ 59,608	\$ (1,458)
Retained earnings (deficit), beginning	<u>(12,948)</u>	<u>(11,490)</u>
Retained earnings (deficit), ending	<u>\$ 46,660</u>	<u>\$ (12,948)</u>

See Notes to Financial Statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2
ENTERPRISE FUND

COMPARATIVE STATEMENT OF CASH FLOWS
Year Ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 58,727	\$ (2,549)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -		
Provision for uncollectible accounts	-	250
Change in assets and liabilities:		
(Increase) in accounts receivable	(12,384)	(526)
(Increase) decrease in unbilled services receivable	1,355	(1,355)
(Increase) decrease in grant receivable	181,436	(192,501)
(Increase) decrease in other receivables	2,489	(2,489)
Increase (decrease) accounts payable	(65,758)	76,823
Increase (decrease) retainage payable	(115,790)	115,790
Increase in other payables	1,936	1,665
Increase in customer deposits	450	100
Increase (decrease) in accrued interest payable	<u>(24,598)</u>	<u>28,842</u>
 Net cash provided by operating activities	 <u>\$ 27,863</u>	 <u>\$ 24,050</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	\$ (318,494)	\$(1,781,065)
Proceeds from bond issuance	129,000	871,000
Bond issuance cost	2,308	(26,234)
Proceeds from federal grant	186,944	906,889
Increase in contributed capital from local funds	-	5,625
Retirement of bonds	<u>(1,601)</u>	<u>-</u>
 Net cash used by capital and related financing activities	 <u>\$ (1,843)</u>	 <u>\$ (23,785)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on cash and investments	\$ 881	\$ 1,091
Purchase of investment securities	-	(37,511)
Proceeds from sales and maturities of investment securities	<u>25,244</u>	<u>12,267</u>
 Net cash provided (used) by investing activities	 <u>\$ 26,125</u>	 <u>\$ (24,153)</u>
 Net increase (decrease) in cash and cash equivalents	 \$ 52,145	 \$ (23,888)
 Cash and cash equivalents, beginning	 <u>3,651</u>	 <u>27,539</u>
 Cash and cash equivalents, ending	 <u>\$ 55,796</u>	 <u>\$ 3,651</u>

See Notes to Financial Statements.

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

St. Landry Waterworks District No. 2 of St. Landry Parish, a component unit of St. Landry Parish Police Jury, was created by the St. Landry Parish Police Jury as authorized by Louisiana Revised Statute 33:3814. The ordinance creating this waterworks district was dated August 14, 1989. St. Landry Waterworks District No. 2 of St. Landry Parish is governed by a five-member Board of Commissioners, appointed by the Police Jury, who are authorized to construct, maintain, and improve the waterworks system within the district.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. All GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

GASB Codification Section 2100 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the Police Jury is determined on the basis of the following criteria:

1. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

Because the Police Jury appoints the governing board and can influence the scope of public service, the District was determined to be a component unit of the St. Landry Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying general purpose financial statements present information only on the funds maintained by the District and do not present information on the St. Landry Parish Police Jury, the general government services provided by the governmental unit, or the other governmental units that comprise the governmental reporting entity.

Basis of presentation - fund accounting:

The District's accounts are organized on the basis of a proprietary fund (enterprise fund). The operations of the enterprise fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenses. The enterprise fund is the general operating fund of the District and accounts for all of its activities.

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus all assets and all liabilities associated with the operations of the fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Proprietary funds are reported in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting. This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, be applied to proprietary activities unless they (FASB Statements and Interpretations, APB Opinions, and ARBs) conflict with or contradict GASB pronouncements.

GASB Statement No. 20 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Proprietary activities under the control of the District have elected not to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

Basis of accounting - measurement focus:

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements; measurement focus refers to what is being measured. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accrual basis of accounting is utilized by the enterprise fund. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

Services for water are recorded as revenue when billed to customers on a monthly route reading cycle. At the end of the year, utilities services which have been rendered from the latest date of each route reading cycle to year-end, which are unbilled, are accrued for financial reporting purposes.

Cash and investment securities:

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investment securities with a maturity of three months or less when purchased.

Investments securities are recorded at cost which approximates market value.

Fixed assets:

Property, plant, and equipment are recorded at historical cost. Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds invested that are restricted to the acquisition and construction of capital assets is offset against interest costs in determining the amount to be capitalized.

Property, plant, and equipment are depreciated in accordance with generally accepted accounting principles. However, at June 30, 1998, the District was still in the process of constructing its plant facilities and distribution lines; thus, no depreciation has been recorded.

Bond issuance costs:

Bond issuance costs are amortized by the straight-line method. However, amortization will not begin until the District begins making monthly bond payments.

Fund equity:

Contributed capital is recorded for capital grants received or contributions from developers and customers. Reserves represent those portions of fund equity not appropriable for expenses or legally segregated for a specific future use.

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Cash and Investment Securities

Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At June 30, 1998, the carrying amount of the District's deposits (cash and investment securities) was \$55,796 and the bank balance was \$74,526. The entire bank balance at June 30, 1998, was fully covered by federal depository insurance.

Note 3. Restricted Assets

Certain assets are restricted for construction funded through long-term debt and Federal grant revenues.

Note 4. Property, Plant, and Equipment

A summary of property, plant, and equipment at June 30, 1998, follows:

	Balance, <u>June 30, 1997</u>	<u>Additions</u>	<u>Deletions</u>	Balance, <u>June 30, 1998</u>
Land	\$ 17,000	\$ -	\$ -	\$ 17,000
Construction in progress:				
Treatment plant	506,615	34,024	-	540,639
Distribution system	1,047,633	270,747	-	1,318,380
Water wells	<u>209,817</u>	<u>13,723</u>	<u>-</u>	<u>223,540</u>
 Total property, plant, and equipment	 <u>\$1,781,065</u>	 <u>\$ 318,494</u>	 <u>\$ -</u>	 <u>\$2,099,559</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

Interest of \$38,949 has been capitalized in the cost of the treatment plant, distribution system, and water wells above.

Note 5. Long-Term Obligations

The following is a summary of long-term debt transactions of the District for the year ended June 30, 1998:

	<u>Series R-1</u>	<u>Series R-2</u>	<u>Series A</u>	<u>Total Series</u>
Balance, June 30, 1997	\$816,000	\$ 48,000	\$ 7,000	\$871,000
New Issues	-	-	129,000	129,000
Retirements	<u>-</u>	<u>-</u>	<u>(1,601)</u>	<u>(1,601)</u>
Balance, June 30, 1998				
Total bonds payable	<u>\$816,000</u>	<u>\$ 48,000</u>	<u>\$134,399</u>	<u>\$998,399</u>

Long-term obligations at June 30, 1998, consist of the following:

Bonds payable:

Water Revenue Bonds -

\$816,000 Water Revenue Bonds Series R-1, due in monthly installments of \$3,746 through July 19, 2036; at an interest rate of 4.50%. The debt will be retired from excess annual water revenues. \$816,000

\$48,000 Water Revenue Bonds Series R-2, due in monthly installments of \$221 through July 19, 2036; at an interest rate of 4.50%. The debt will be retired from excess annual water revenues. 48,000

\$136,000 Water Revenue Bonds Series A, due in monthly installments of \$645 through July 19, 2036; at an interest rate of 4.50%. The debt will be retired from excess annual water revenues. 134,399

\$998,399

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

The annual requirements including interest to amortize all long-term obligations outstanding at June 30, 1998, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Series R-1</u>	<u>Series R-2</u>	<u>Series A</u>	<u>Total Series</u>
1999	\$ 41,200	\$ 2,424	\$ 13,733	\$ 57,357
2000	44,945	2,644	7,789	55,378
2001	44,945	2,644	7,491	55,080
2002	44,945	2,644	7,491	55,080
2003	44,945	2,644	7,491	55,080
2004 and thereafter	<u>1,478,368</u>	<u>86,962</u>	<u>237,794</u>	<u>1,803,124</u>
Total principal and interest	\$1,699,348	\$ 99,962	\$ 281,789	\$ 2,081,099
Less: Interest	<u>(883,348)</u>	<u>(51,962)</u>	<u>(147,390)</u>	<u>(1,082,700)</u>
Liability as of June 30, 1998	<u>\$ 816,000</u>	<u>\$ 48,000</u>	<u>\$ 134,399</u>	<u>\$ 998,399</u>

Note 6. Concentration of Credit Risk

The only financial instrument that potentially subjects St. Landry Waterworks District No. 2 to concentrations of credit risk is trade receivables. Concentration of credit risk with respect to trade receivables are limited to the geographical region of which the District services water and the general economy of that region. At June 30, 1998, the District had no significant concentrations of credit risk.

Note 7. Intergovernmental Agreements

For the year ended June 30, 1998, the District was servicing a limited area of customers who have existing water lines from the Village of Cankton. The water provided to customers was provided by the Village of Cankton's water system. Upon completion of construction and annually thereafter, the District will return the number of gallons provided to this small base of customers.

ST. LANDRY WATERWORKS DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

In addition, the District has entered into an intergovernmental agreement with the Village of Cankton whereby the Village is to provide the services of all personnel required for the efficient and competent operation of the system. These persons shall perform all services required for the ordinary operation and maintenance of the system; keep all books, records, accounts and files necessary or desirable in the operation of the system; read all meters, make and submit bills, and handle all collections and deposits. The District will pay Village of Cankton \$5.75 for each customer billed on a monthly basis.

Note 8. Contributed Capital

The following is a summary of the changes in the District's contributed capital accounts for the year ended June 30, 1998:

	<u>Federal Government</u>	<u>Local</u>	<u>Total</u>
Balance, June 30, 1997	\$ 906,889	\$ 33,164	\$ 940,053
Current year capital contributions	<u>186,944</u>	<u>-</u>	<u>186,944</u>
Balance, June 30, 1998	<u>\$1,093,833</u>	<u>\$ 33,164</u>	<u>\$1,126,997</u>

Contributed capital from the federal government results from a Department of Agriculture grant while the contributed capital from local sources results from member contributions.

Note 9. Deficit Retained Earnings

As of June 30, 1997, the District has deficit retained earnings of \$12,948.

ST. LANDRY WATERWORKS DISTRICT NO. 2

SCHEDULE OF MONTHLY WATER RATES

The monthly retail water rates in effect at June 30, 1998, were as follows:

First 2,000 gallons per month or less	\$ 10.25
Each 1,000 gallons thereafter up to 10,000 gallons	\$ 2.25

ST. LANDRY WATERWORKS DISTRICT NO. 2

SCHEDULE OF COMPENSATION EARNED BY BOARD OF COMMISSIONERS
Year Ended June 30, 1998

The Board of Commissioners consists of five members. Effective August 14, 1989, board members receive \$60 for each meeting they attend at which a quorum is present. For the year ended June 30, 1998, the compensation earned by board members is:

<u>Name</u>	<u>Amount</u>
Joseph C. Lyons, President	\$ 1,440
Linic Richard	1,440
Bobby Richard	1,440
Dewey Leger	1,140
Todd Broussard	<u>1,380</u>
	<u>\$ 6,840</u>

The schedule of compensation to board members was prepared in compliance with House Concurrent Resolution No.54 of the 1979 Session of the Legislature.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
St. Landry Waterworks District No. 2
Cankton, Louisiana

We have audited the financial statements of the St. Landry Waterworks District No. 2, a component unit of St. Landry Parish Police Jury, as of and for the year ended June 30, 1998, and have issued our report thereon dated February 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as item #98-1 and #98-2.

To the Board of Commissioners
St. Landry Waterworks District No. 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Broussard, Poche, Lewis & Breaux LLP

Crowley, Louisiana
February 22, 1999



BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Lafayette, LA
(318) 988-4930

Opelousas, LA
(318) 942-5217

Abbeville, LA
(318) 898-1497

New Iberia, LA
(318) 364-4554

Church Point, LA
(318) 684-2855

Eunice, LA
(318) 457-0071

To the Board of Commissioners
St. Landry Waterworks District No. 2
Cankton, Louisiana

Compliance

We have audited the compliance of the St. Landry Waterworks District No. 2, a component unit of St. Landry Parish Police Jury, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1998. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Landry Waterworks District No. 2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on St. Landry Waterworks District No. 2's compliance with those requirements.

Lawrence A. Cramer, CPA*
Eugene C. Gilder, CPA*
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Scott J. Broussard, CPA*
L. Charles Alshire, CPA*
Kenneth R. Dugas, CPA*
P. John Blanchet III, CPA*
Stephen L. Lambousy, CPA*
Craig C. Babineaux, CPA*
Peter C. Borrello, CPA*
Michael P. Crochet, CPA*
George J. Drappey III, CPA*
Daniel E. Gilder, CPA*
Gregory B. Milton, CPA*
S. Scott Soileau, CPA*
Patrick D. McCarthy, CPA*

Retired:

Sidney L. Broussard, CPA 1980
Leon K. Poche, CPA 1984
James H. Breaux, CPA 1987
Erno R. Wilton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberly, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1997

Members of American Institute of
Certified Public Accountants
Society of Louisiana Certified
Public Accountants

To the Board of Commissioners
St. Landry Waterworks District No. 2

In our opinion, St. Landry Waterworks District No. 2 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1998.

Internal Control Over Compliance

The management of St. Landry Waterworks District No. 2 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered St. Landry Waterworks District No. 2's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as item #98-1 and #98-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Broussard, Poché, Lewis & Breany LLP

Crowley, Louisiana
February 22, 1999

ST. LANDRY WATERWORKS DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 1998

I. Summary of Auditor's Results

The following summarizes the auditor's results in accordance with OMB Circular A-133:

1. The auditor's report expresses an unqualified opinion on the general-purpose financial statements of St. Landry Waterworks District No. 2, a component unit of St. Landry Parish Police Jury, as of and for the year ended June 30, 1998.
2. One reportable condition in internal control was disclosed during the audit of the District's financial statements and such condition was considered a material weakness.
3. The audit did not disclose any noncompliance considered material to the financial statements of the District.
4. The audit disclosed one reportable condition in internal control over its major federal award program which is considered to be a material weakness.
5. An unqualified opinion was issued on compliance for its federal award program.
6. The audit finding relative to the major federal award program of the District is reported in Part III of this schedule.
7. The Water and Waste Disposal Systems for Rural Communities Grant (CFDA #10.760) was treated as a major program for the year ended June 30, 1998.
8. The threshold used to distinguish Type A from Type B programs was \$300,000.
9. St. Landry Waterworks District No. 2 did not qualify as a low-risk auditee.

II. Financial Statement Findings

Reportable Condition:

#98-1 - Segregation of Duties

Finding: There is a lack of segregation of duties in all areas of the financial cycle.

(Continued)

ST. LANDRY WATERWORKS DISTRICT NO. 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 1998

Cause: Due to the small number of people performing functions and the lack of resources, the District is unable to implement a segregated system of internal control.

Recommendation and response: The District is aware of this problem and we are in agreement with them that it would not be cost beneficial or possible with the limited resources available to create a segregated accounting environment.

#98-2 - State Audit Law

Finding: The District did not file the annual report within six months of year-end as required by state law.

Cause: The accounting records were not made available on a timely basis in order to meet the state law deadline for filing annual reports.

Recommendation and response: We recommend and the District agrees that accounting records should be made available in a more timely manner to allow the report to be filed within six months.

III. Federal Award Findings and Questioned Costs

Department of Agriculture

Water and Waste Disposal Systems for Rural Communities Grant - CFDA #10.760

Reportable conditions: The reportable conditions at #98-1 and #98-2 above also apply to this grant.

ST. LANDRY WATERWORKS DISTRICT NO. 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 1998

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:		
Direct:		
Water and Waste Disposal Systems for Rural Communities Grant	10.760	<u>\$318,494</u>

Note 1. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

Note 2. Loans/Loan Guarantees

As of June 30, 1998, the District had the following outstanding debt balances:

	<u>Total Loan Amount</u>	<u>Amount Outstanding</u>
Water Revenue Bonds, Series R-1	\$ 816,000	\$ 816,000
Water Revenue Bonds, Series R-2	48,000	48,000
Water Revenue Bonds, Series A	<u>136,000</u>	<u>134,399</u>
	<u>\$1,000,000</u>	<u>\$ 998,399</u>

ST. LANDRY WATERWORKS DISTRICT NO. 2

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 1998

I. Internal Control and Compliance Material to the Financial Statements.

#97-1 - Segregation of Duties

Finding: There is a lack of segregation of duties in all areas of the financial cycle.

Recommendation and current status: The District is aware of this problem and we are in agreement with them that it would not be cost beneficial or possible with the limited resources available to create a segregated accounting environment.

II. Internal Control and Compliance Material to Federal Awards

The finding, recommendation, and current status at #97-1 above also applies to the U.S. Department of Agriculture Grant.

III. Management Letter

The prior year's report did not include a management letter.

ST. LANDRY WATERWORKS DISTRICT NO. 2

MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended August 31, 1998

Section I Internal Control and Compliance Material to the Financial Statements

#98-1 The number of employees does not allow for an adequate segregation of duties.

Management has duties segregated as much as possible.

#98-2 The District did not file the annual report within six months of the year-end.

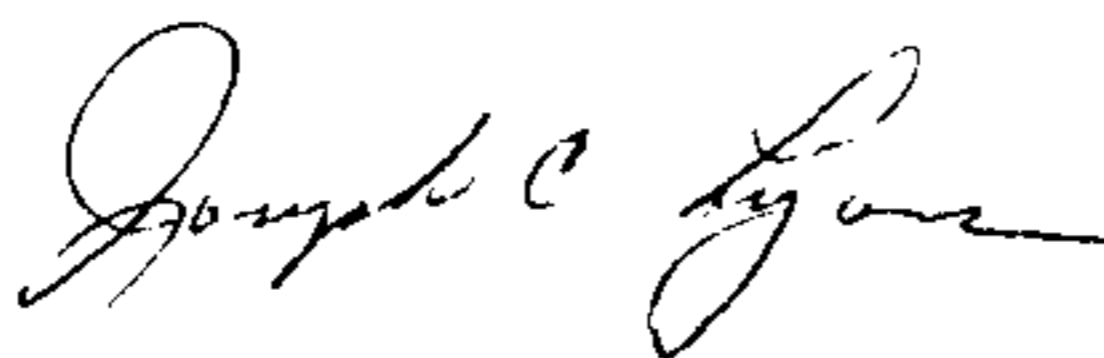
Accounting records will be made available in a more timely manner to allow the report to be filed within six months.

Section II Internal Control and Compliance Material to Federal Awards

The two reportable conditions at #98-1 and #98-2 above also apply to the federal award grant.

Section III Management Letter

The current year report does not include a management letter.



Responsible Party: President Joseph C. Lyons